

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/ SB 1438

SPONSOR: Comprehensive Planning Committee and Senator Clary

SUBJECT: Property Tax Exemption / Ex-Military Spouse

DATE: April 18, 2003

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Cooper</u>	<u>Yeatman</u>	<u>CP</u>	<u>Favorable/CS</u>
2.	<u>Vickers</u>	<u>Krasovsky</u>	<u>MS</u>	<u>Fav/1 amendment</u>
3.	<u>Fournier</u>	<u>Johansen</u>	<u>FT</u>	<u>Favorable</u>
4.	_____	_____	<u>AGG</u>	_____
5.	_____	_____	<u>AP</u>	_____
6.	_____	_____	_____	_____

I. Summary:

This CS grants a property tax exemption to the un-remarried surviving spouse of a veteran who is otherwise entitled to the exemption.

This CS amends s. 196.24 of the Florida Statutes.

II. Present Situation:

Property Assessments

Article VII, s. 4 of the State Constitution requires that all property be assessed at its just value for ad valorem tax purposes. Just value has been interpreted to mean fair market value. Section 4 provides exceptions to this requirement for agricultural land, land producing high water recharge to Florida's aquifers, and land used exclusively for non-commercial recreational purposes, all of which may be assessed solely on the basis of their character or use. Additionally, tangible personal property that is held as inventory may be assessed at a specified percentage of its value or totally exempted.

Article VII, s. 4(c) of the State Constitution, provides for a homestead property assessment increase limitation. Annual increases in homestead property values are limited to 3 percent or the Consumer Price Index percentage, whichever is lower, not to exceed just value. If there is a change in ownership, the property is to be assessed at its just value on the following January 1. The value of changes, additions, reductions or improvements to the homestead property is assessed as provided by general law.

Property Tax Exemptions

Article VII, s. 6 of the State Constitution authorizes an exemption from ad valorem taxation for homestead property owned by a taxpayer and used as the owner's permanent residence or the permanent residence of another legally or naturally dependent upon the owner. The value of the homestead exemption is currently \$25,000 of the assessed value of the real estate. Section 196.031, F.S., primarily implements the homestead exemption, although other statutory sections provide specific procedures and conditions, i.e., procedures for application for the exemption (s. 196.011, F.S.), the extent of the exemption (s. 196.041, F.S.), and the effect of rental of homestead property.

Article VII, s. 3(b) of the State Constitution requires that not less than \$500 of property, as established in general law, of widows and widowers and persons who are blind or totally and permanently disabled be exempt from taxation.

The exemption for totally and permanently disabled persons is implemented in chapter 196, F.S. Sections 196.081 and 196.091, F.S., provide for total homestead exemptions for disabled veterans and their surviving spouses. Section 196.101, F.S., exempts the total value of homesteads used and owned by quadriplegics, paraplegics, hemiplegics, or "other totally and permanently disabled person, as defined in s. 196.012(11), F.S., who must use a wheel chair for mobility or who is legally blind..." Section 196.012(11), F.S., defines a "totally and permanently disabled person" as a person certified as totally and permanently disabled by two licensed physicians, by the U.S. Department of Veterans Affairs, or by the Social Security Administration.

Exemption for Disabled Ex-Service Members

Section 196.24, F.S., provides a \$5,000 reduction in taxable value to any resident, ex-service member who has been disabled to a degree of 10 percent or more while serving during a period of wartime service or by misfortune. To qualify, the applicant must produce a certificate of disability from the United States Government or the United States Department of Veterans Affairs. On average, each person qualifying for the exemption receives a reduction of \$100 per year property taxes. An estimated 63,302 exemptions were granted statewide in 2000.

III. Effect of Proposed Changes:

Section 1 amends s. 196.24, F.S., to grant a \$5,000 property tax exemption to the un-remarried surviving spouse of a veteran who is otherwise entitled to the exemption. To obtain the exemption, the un-remarried spouse must have been married to the veteran for at least 20 years.

The CS also deletes the term "ex-service member" and substitutes the term "veteran". This change was made to promote consistency in the statute. The term "ex-service member" is not defined in the statutes. However, the current exemption is limited in the statute to persons who were injured serving "during a period of wartime service as defined in s. 1.01(14), or by misfortune." The definition of veteran is contained in s. 1.01(14), F.S., and requires a person to have served during a wartime period to qualify as a veteran. Thus, any ex-service member who was injured "by misfortune" and did not serve during a wartime period may not qualify for this exemption in the future.

Section 2 provides that this act will take effect July 1, 2003.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

This CS falls under subsection (b) of section 18 of Article VII, Florida Constitution. Subsection (b) requires a two-thirds vote of the membership of each house of the Legislature in order to enact a general law reducing the authority that municipalities and counties had on February 1, 1989, to raise revenues in the aggregate. However, laws of insignificant fiscal impact are exempted from this requirement.

By granting a \$5,000 property tax exemption to the un-remarried surviving spouse of a veteran who is otherwise entitled to the exemption, the CS is anticipated to reduce the municipalities' and counties' property tax base, thereby reducing their revenue-raising authority. However, the fiscal impact of the CS on cities and counties is estimated to be less than \$1 million in FY 2004/05. Consequently, the CS is exempted from the constitutional mandates restriction because of its insignificant fiscal impact.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

This CS grants a property tax exemption to the un-remarried surviving spouse of a veteran who is otherwise entitled to the exemption. The total value of this exemption is expected to be \$-1.4 million, at current millage rates.

B. Private Sector Impact:

If enacted into law, qualified un-remarried surviving spouses of veterans will benefit from reduced ad valorem taxes. This reduction in the property tax base will result in a corresponding shift in property tax burden to other property owners.

Due to the fact that ex-service members by definition are not necessarily also veterans under the lawful definition of veteran, some persons who may have previously qualified for the exemption may no longer qualify.

C. Government Sector Impact:

This CS grants a property tax exemption to the un-remarried surviving spouse of a veteran who is otherwise entitled to the exemption. The Revenue Impact Conference

estimates the fiscal impact of this CS to be \$-1.4 million in FY 2004/05 for all local governments, including school districts and independent special districts, levying property taxes.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

#1 by Military and Veterans' Affairs, Base Protection, and Spaceports:

Provides a grandfathering provision for persons currently receiving the exemption.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
